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SUMMARY

The Ontario Energy Corporation (OEC) was established by the Government of Ontario in 1975 to implement Government energy policies through investment in energy ventures.

The Corporation invests in new energy technologies, and in energy exploration, primarily with private sector partners.

Following is a partial list of OEC investments since 1975, which demonstrate the Corporation's innovative approach, leadership and catalytic involvement with private sector investors.

- Participation in the establishment of Canada's second commercial oil-sands plant (Syncrude);
- Development of a demonstration project (Bio-hol) to convert wood residues into fuel-grade ethanol;
- Involvement in the marketing of an innovative application of advanced computer technology to increase public ridership (Teleride);
- Establishment of the first van pool fleet in Canada operating near market prices (Ontario Van Pool Organization);
- Canadianization of Suncor's frontier lands, and the initiation of a $220 million frontier exploration program (Trillium);
- Production of electricity for the first time in Canada from the burning of municipal waste (Hamilton Electric Turbine Generator);
- Development and testing of a new controlled pressure induction fuel delivery system, capable of using alternative fuels (Selachii);
- Establishment of the first commercial greenhouse complex in Ontario heated by waste heat from a natural gas compressor station (Energreen);
- Exploration for petroleum in the largest area in Canada ever authorized (Hudson Bay);
- Development of the world's most efficient large-scale gasification technology based on biomass feedstock (Omnifuel).

1982 HIGHLIGHTS

The year saw exciting new developments, both in exploration and in new energy technologies, among the OEC's investments.

- *Suncor*, alone and in partnership with the OEC, announced it would invest nearly $1 billion in oil supply and conservation projects.
- *The Trillium Exploration Corporation*, a joint enterprise of the Ontario Energy Corporation and Suncor, was established, and will invest $220 million in frontier exploration over the next five years. Trillium participated in three exploratory wells off the Labrador coast.
- *The Hamilton Electric Turbine Generator* began producing electricity from the burning of municipal waste.
- *Selachii International* began development of a fuel-saving alternative to conventional carburetors, in partnership with the OEC.
- *The Hudson Bay Exploration Joint Venture* completed a 5 000 km (3,100 miles) seismic survey.
- *Onexco Minerals* drilled 18 wells in the James Bay Lowlands and encountered a number of new lignite occurrences.
- *The OEC* completed a preliminary investigation of Ontario's oil shale potential.
- *A wood-to-ethanol contract* was signed with the Ministry of Energy to demonstrate the feasibility of producing ethanol from wood waste.
- *A methanol contract* was signed with the Ministry of Energy to assess production technologies and to carry out road trials.

OBJECTIVES

The Ontario Energy Corporation invests in or otherwise participates in energy projects. The Corporation is a unique combination of public and private enterprise, operating like a private investment company within policy parameters established by the Government of Ontario. The OEC finances its own administrative costs, and is responsible to an independent Board of Directors. The Minister of Energy is the sole shareholder.

MANDATE FROM GOVERNMENT

The Act which created the Ontario Energy Corporation defines its mandate in precise terms:

"To invest or otherwise participate in energy projects throughout Canada, or elsewhere, to:

- Enhance the availability of energy in Ontario;
- Stimulate exploration for and the development of sources of energy;
- Stimulate expansion of the capability to produce energy;
- Encourage investment in energy projects and the effective use of financial, human and other resources in energy projects;
- Encourage the development of processes and equipment that will avoid the wasteful use of energy, and that will minimize harm to the environment."

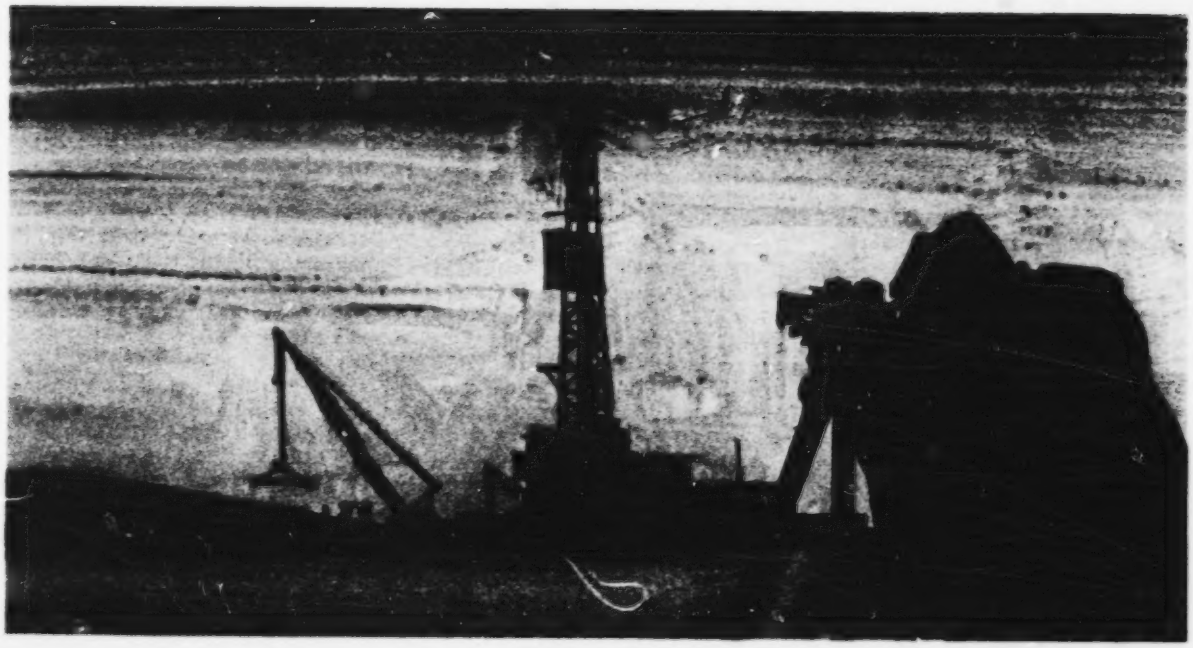
CORPORATE MISSION

To assist Government in the pursuit of a more secure energy future for Ontario through a dual strategy of participation in a variety of innovative, catalytic, leadership energy activities supported by profitable investment positions in selected energy ventures.

INVESTMENT CRITERIA

The Corporation considers participation in energy projects which:

- Are compatible with the Corporation's objectives and mission;
- Allow an interest in tangible assets or other commercial property;
- Involve an investment or financing role rather than an operating role;
- Do not require a subsidy or grant from the Corporation;
- Are compatible with the energy policy of the Ontario Government.



The Corporation and its subsidiaries made considerable progress during 1982. In a variety of ways the OEC's investments helped bring energy and employment-related benefits to the people of Ontario.

The Corporation received financial assistance in 1982 of some $45 million from the Government of Ontario in connection with the payment of interest on the Sun Co. notes.

The financial statements also reflect an accounting loss of some $5 million due to equity adjustments in some of the Corporation's energy technology investments. Given the developmental nature of many of these investments, this is not unusual during the start-up phase of companies producing and marketing innovative technologies.

By far the largest equity adjustment is related to the anticipated sale of the Bruce Energy Centre Development Corporation (BECDEVCO) to Ontario Hydro.

Energy Technology Investments

On the "technology" side of our activities, the *Hamilton Electric Turbine Generator* began producing electricity; the first facility in Canada to use municipal waste as a source of electricity. At Ramore, near Timmins, our investment in *Energreen* is also putting waste to work. There, tree seedlings are grown in a greenhouse warmed by exhaust gases from a nearby natural gas pipeline compressor station.

Contracts have been signed with the Ministry of Energy to study and evaluate the use of alcohol fuels in transportation. *Bio-hol*, an OEC investment, is developing a biotechnological process for the production of alcohol from sawdust and other forest industry waste.

During 1982 we signed an agreement with *Selachii* for the development and marketing of a unique Canadian invention, a controlled pressure induction system which, compared with conventional carburetors, will reduce fuel consumption and allow the use of gasoline/alcohol mixtures in internal combustion engines.

Energy Resources Investments

Suncor, during the year, announced almost $1 billion in investment activity, alone or in partnership with us. A $335 million two-year upgrading program at the Sarnia refinery will reduce by one-third the amount of crude oil used there, and is now providing work for Ontario construction and manufacturing companies. Suncor is also investing a total of $443 million in improvements at its Fort McMurray oil sands mine and plant, and at its Fort Kent heavy oil project.

In September we announced, with Suncor, the formation of *Trillium Exploration Corporation*, which plans to invest approximately $220 million in frontier exploration during the next five years. The establishment of Trillium further emphasizes the importance which the OEC attaches to exploration. Through Trillium we participated in three exploratory wells off the Labrador coast during 1982.

Our *Southwestern Ontario Exploration Joint Venture* also had a measure of success when the exploratory well drilled in June indicated hydrocarbon potential on the lands controlled by the group.

In the *James Bay Lowlands*, where the OEC is exploring for lignite, 18 wells were drilled and several new lignite occurrences discovered.

A preliminary *study of oil shale* in Ontario was completed in 1982, and concluded that this resource has potential, and deserves more extensive investigation.

Our *Hudson Bay Exploration Joint Venture* completed its first 5 000 km (3,100 miles) seismic survey, and is planning a second survey for 1983.

In 1982 *Polar Gas* participants initiated a major review of the project in light of changing market demands for natural gas in the 1990's. Decisions with respect to that review are expected in the new year.

Negotiations began with Ontario Hydro for the sale of one of our first investments in energy technology, the *Bruce Energy Centre Development Corporation*, which, as the Bruce AgriPark Joint Venture, dates back to 1979. The sale is expected to be made in early 1983.

The Corporation invested a further $16.8 million during 1982. Existing ventures accounted for $10 million, the balance represents investments in new ventures.

Energy Security: Still A Priority

1982 was a year of substantial change in the public perception of Canada's energy future. Reduced demand and plentiful supplies lowered the priorities which the public and policy-makers place on energy-related concerns.

Yet the problem of oil supply has not gone away. Despite the high level of exploration activity in North America during the 1970's, the world's oil reserves are even more concentrated in a handful of producing areas–Saudi Arabia, Kuwait, Abu Dhabi, Iran, the U.S.S.R. and Mexico–than they were ten years ago.

Oil prices, while softer than they have been, are still high. Forecasts for the future vary. However, one widely-held view is that oil prices will fall and that they will not regain their current levels through 1984, that after 1984 prices will increase at the rate of inflation through 1989, and that from then onwards there will be a real price increase of from one to two per cent a year.

It is also necessary to consider the changing patterns of energy use. For example, many industrial consumers have improved the efficiency of their operations. Even with full recovery from the present recession, their energy consumption is unlikely to return to previous levels.

The key issue for Canada is: can this country maintain its policy of oil self-sufficiency by 1990 with all of the attendant incentives and price levels regardless of changes on the international crude oil scene? If not, what changes to that policy will be made to Canada's energy goals and programs?

Canada cannot afford to depend on foreign oil. Yet Canadian oil is relatively expensive. The dilemma we face is whether we want to achieve domestic security of oil supply, at a price, or continue to rely on the uncertainties of the international market.

Security of energy supply is a highly desirable goal for Canada, and a realistic one. To attain it, exploration for new energy resources and the development of new technologies must continue to be national priorities.

The Years Ahead

Over the next five years, the Corporation expects to make substantial investments both in energy exploration and in technology.

The goal is to continue to invest with the private sector in energy ventures which enhance Canada's security of energy supply.

Changes to the Board

It was with regret that the Board accepted the resignation of Mr. Rendall Dick on his appointment as Deputy Attorney General for Ontario. The Board expresses appreciation to Mr. Dick for his advice and guidance.

At the same time, the Board was honoured by the appointment of three distinguished new members: Mr. Pierre Genest, Mr. Gerald Nori and Mrs. Mary Theresa McLeod.

During the year, the Corporation completed a review of its objectives, strategy and structure. As a consequence, a number of organizational changes were made, resulting in a 25 per cent reduction in staff and a 33 per cent reduction in the operating budget.

Respectfully submitted on behalf of the Board,

Malcolm Rowan,
President and
Chief Executive Officer

ROSS A. HENNIGAR

The death in January 1983 of Ross Hennigar, the first President of Suncor, was a tragic loss to Canada, to Suncor, and to everyone who knew him.

Ross Hennigar was a respected and highly regarded leader in Canada's oil industry. He advanced not only the interests of the industry, but equally the interests of Canada.

We at the OEC are proud to have known him, and mourn his passing.

BOARD OF DIRECTORS

David L. Campbell
President, David L. Campbell Ltd., Consultant

Pierre Genest, QC*
Senior Partner, Cassels, Brock, Barristers and Solicitors

George C. Hitchman†
Corporate Director, The Bank of Nova Scotia

W. Edwin Jarmain*†
President, Jarmain Communications Inc.

M. Theresa McLeod
Vice President and Director, Pitfield McKay Ross Limited

David Melnik, QC
President and Chief Executive Officer, Vanguard Trust

Gerald E. Nori, QC
Partner, Wishart, Noble, Barristers and Solicitors

Malcolm Rowan*
President and Chief Executive Officer, Ontario Energy Corporation

D. Blair Tully
Secretary, Board of Industrial Leadership and Development

*Also a Director of Suncor
†Audit Committee

Officers of the Corporation

W. Edwin Jarmain
Chairman

Malcolm Rowan
President and Chief Executive Officer

Peter Szego
Vice-President, Corporate Development and Treasurer, Pro Tempore

Douglas A. Taylor
Vice-President, Energy Investments

Robert Law, QC
Corporate Counsel and Secretary

Janet C. McInally
Assistant Secretary

Auditor

Deloitte Haskins and Sells

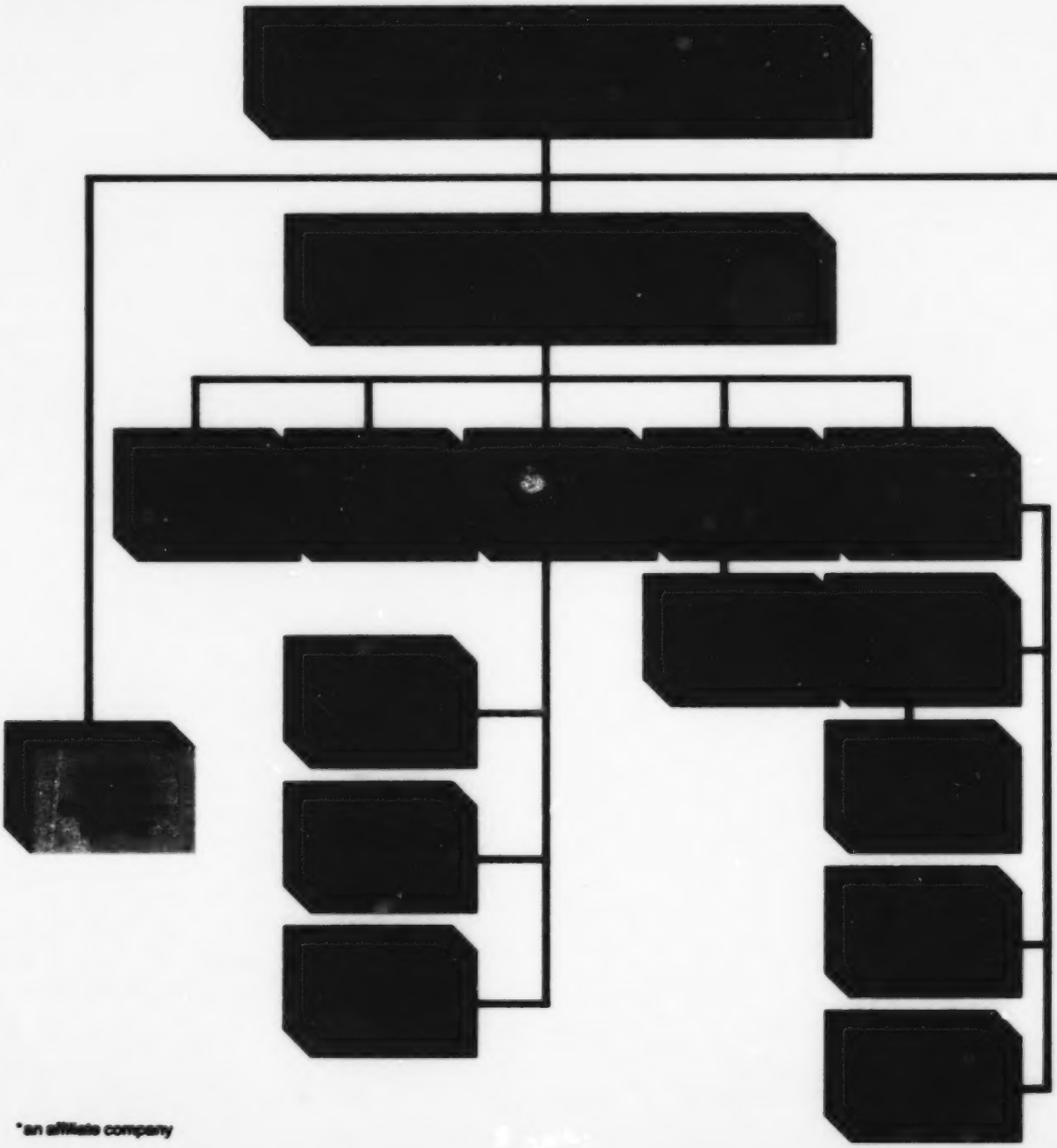
The Ontario Energy Corporation is essentially an investment company. In terms of people, the OEC is small, with about 24 full-time staff. The Corporation's goal is to work with private sector enterprises, not to displace them, providing qualities of leadership and innovation which will help make energy security a reality for the people of Ontario. All but two of the Corporation's 15 investments are in partnership with private companies.

Because of the emphasis placed on leadership and innovation, the OEC investments tend to be in areas of higher risk. Nevertheless, the Corporation, like any private sector company, aims to have more winners than losers.

Investments Through Subsidiaries

The OEC has established the following six subsidiary companies through which most of its investments are managed:

Ontario Energy in Transportation Ltd. is active in the development and management of projects involving the efficient use of energy in transportation.
Ontario PowerShare Ltd. is active in projects maximizing energy efficiency through co-generation and by-product heat use, such as steam produced by nuclear power. The steam can be used both for the generation of electricity and for industrial and agricultural purposes.



*an affiliate company

Ontario Alternate Energy Ltd. is a participant in commercially attractive projects which explore creative alternatives to conventional sources of energy. For purposes of its investment in Omnifuel Gasification Systems Ltd., this company has a wholly-owned subsidiary, OAE (Omnifuel) Ltd.

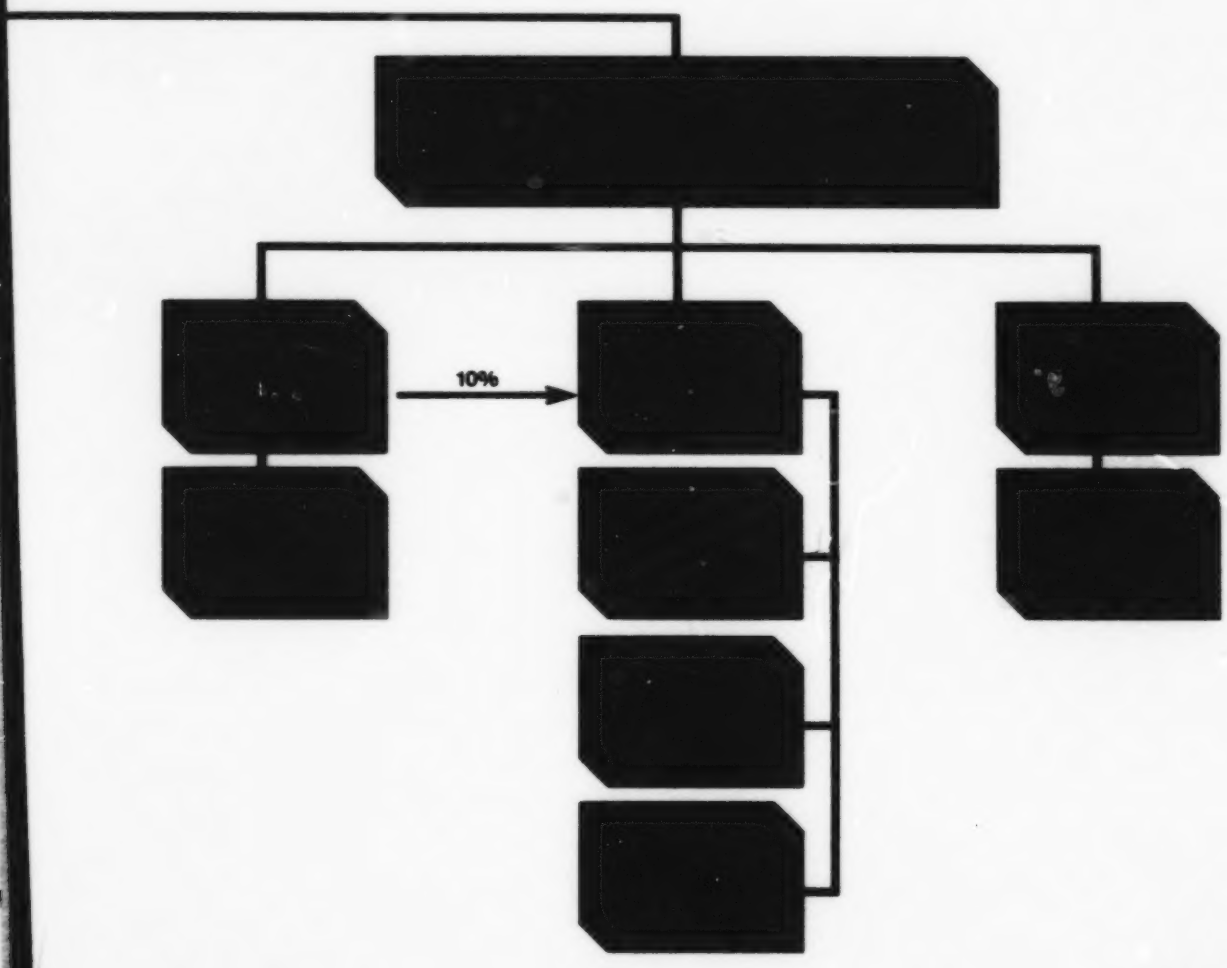
Ontario Energy Resources Ltd. is a holding company for the Corporation's 25 per cent interest in Suncor Inc.

Onexco Oil & Gas Ltd. is a taxliable company, owned 90 per cent by the OEC and ten per cent by Ontario Energy Resources Ltd. Onexco invests in ventures which explore for and develop oil and natural gas throughout Ontario and Canada.

Onexco Minerals Ltd. is involved in energy minerals exploration.

Direct Investments

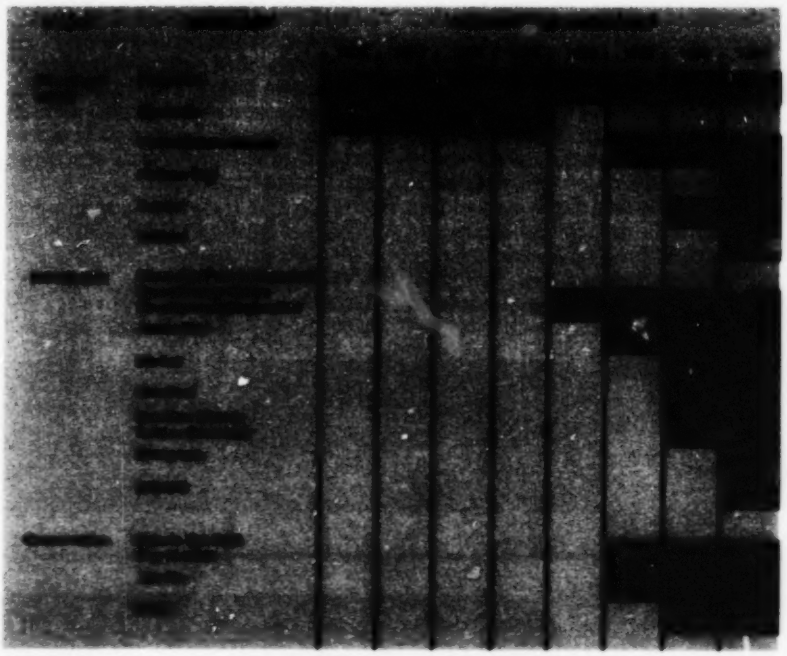
Three investments are not managed through subsidiaries, but are directly funded by the Corporation. They are *Polar Gas, Bruce Energy Centre Development Corporation (BECDEVCO)* and *Ontario Van Pool Organization (OVPO)*, an affiliate company.



The Ontario Government has established three broad policy approaches as its contribution to achieving crude oil self-sufficiency for Canada.

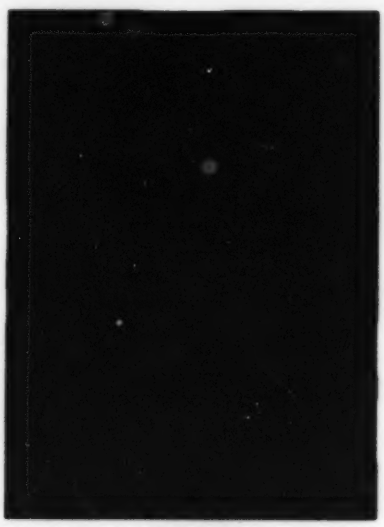
1. *Oil and Gas Supply:* Improving supplies of oil and natural gas by discovering new resources and developing existing reserves.
2. *Conservation:* Encouraging economy in the use of all forms of energy, but especially those derived from oil.
3. *Substitution:* Encouraging the development and use of fuels other than oil.

Over the past eight years, the Corporation's investment strategy has changed in response to changes in the overall energy picture and in accordance with the Corporation's developing mandate. Nevertheless, all of its investments support one or more of these broad policy approaches.



Chronology of the Corporation's Portfolio.

Some OEC investments reach beyond the borders of the province.



The majority of OEC investments are located in Ontario.

1. Bruce Energy Centre Development Corporation
2. Teleride (Head Office)
3. SAGE
4. Selachii
5. Energreen
6. Omnifuel (Head Office)
7. Hamilton Electric Turbine Generator
8. Bio-hol
9. Suncor (Head Office)
10. Suncor (Refinery)
11. Southwestern Ontario Exploration Group
12. James Bay Lowlands Exploration Program

Preparation and Review of the Financial Statements

The financial statements have been prepared by management in accordance with generally accepted accounting principles. Management is responsible for the other information in the Annual Report, and is consistent, where applicable, with that contained in the financial statements.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through an Audit Committee of the Board, which is composed of directors who are not employees of the Corporation. The Audit Committee meets with management and the external auditor at least twice each year to satisfy itself that management's responsibilities are properly being discharged and to review annually the financial statements.

The external auditor, Deloitte Haskins & Sells, conducts an independent examination, in accordance with generally accepted auditing standards, and expresses its opinion on the financial statements. The auditor's examination includes a review and evaluation of the Corporation's system of internal control. Appropriate tests and procedures are made to provide reasonable assurance that the financial statements are presented fairly. The external auditor has full and free access to the Audit Committee of the Board. The Provincial Auditor has access to and reviews from time to time the working paper files of the external auditor.

AUDITOR'S REPORT

To the Shareholder of Ontario Energy Corporation:

We have examined the consolidated balance sheet of Ontario Energy Corporation as at December 31, 1982 and the consolidated statements of loss and retained earnings and of changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Deloitte Haskins & Sells

Chartered Accountants
Toronto, Canada

March 11, 1983

CONSOLIDATED STATEMENT OF LOSS AND RETAINED EARNINGS
YEAR ENDED DECEMBER 31, 1982

	1982	1981
Interest Income	**$ 2,904,542**	$ 4,566,768
Expenses		
General and administrative expenses	**1,957,356**	2,028,547
Interest and bank charges (Note 4)	**1,008,772**	1,126,211
	2,966,128	3,154,758
(Loss) income before equity adjustment	**(61,586)**	1,412,010
Equity adjustment in investments	**(5,595,373)**	(1,172,735)
(Loss) net income	**(5,656,959)**	239,275
Retained earnings, beginning of year	**26,205,288**	25,966,013
Retained earnings, end of year	**$20,548,329**	$26,205,288

CONSOLIDATED BALANCE SHEET
DECEMBER 31, 1982

	1982	1981
Assets		
Current Assets		
Cash, short-term deposits and accrued interest	**$ 13,054,569**	$ 22,840,915
Accounts receivable	**33,847**	74,441
Due from affiliated companies	**41,674**	164,683
Due from Treasurer of Ontario	**–**	656,396
	13,130,090	23,736,435
Investments (Note 2)		
Suncor Inc.	**640,318,076**	647,268,726
Trillium Exploration Corporation	**6,113,012**	–
Polar Gas	**16,764,156**	16,199,929
Other (Note 3)	**6,757,936**	5,678,578
Deferred project expenditures	**253,469**	350,057
Furniture, equipment and leasehold improvements	**261,601**	196,310
	$683,598,340	$693,430,035
Liabilities		
Current Liabilities		
Accounts payable and accrued charges	**$ 2,369,534**	$ 1,587,247
Current portion of long-term debt (Note 4)	**16,325,000**	16,325,000
Due to Treasurer of Ontario	**3,034,327**	–
	21,728,861	17,912,247
Long-Term Debt (Note 4)	**617,987,500**	634,312,500
	639,716,361	652,224,747
Shareholder's Equity		
Share Capital (Note 5)	**23,333,650**	15,000,000
Retained earnings	**20,548,329**	26,205,288
	43,881,979	41,205,288
	$683,598,340	$693,430,035

Approved by the Board:

Malcolm Rowan, Director

George Hitchman, Director

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 1982

	1982	1981
Sources of Working Capital		
Operations		
(Loss) net income	$ (5,656,959)	$ 239,275
Suncor dividends	10,435,020	–
Items not affecting working capital		
Equity in earnings of investments	(9,600,627)	1,172,735
Amortization and depreciation		
Suncor	15,196,000	–
Other	124,841	31,431
Working capital provided by operations	10,498,275	1,443,441
Share capital	8,333,650	–
Notes due to Sun Company, Inc.	–	325,000,000
Loan from Treasurer of Ontario	–	325,000,000
	18,831,925	651,443,441
Uses of Working Capital		
Suncor investment	3,655,368	647,268,726
Trillium Exploration Corporation investment	6,113,012	–
Polar Gas investment	564,227	1,191,709
Other investments	6,303,731	5,474,645
Deferred project expenditures	(96,588)	177,853
Furniture, equipment and leasehold improvements	190,134	175,752
Reduction in long-term debt	16,325,000	16,325,000
	33,254,884	670,613,685
Decrease in Working Capital	(14,422,959)	(19,170,244)
Working Capital, beginning of year	5,824,188	24,994,432
Working Capital (deficiency), end of year	$ (8,598,771)	$ 5,824,188

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1982

1. Significant Accounting Policies

The Ontario Energy Corporation invests in, or otherwise participates in, energy projects throughout Canada with a view to enhancing the availability of energy in Ontario. The Corporation's involvement in its investments is in a financing rather than an operating role.

Basis of financial statement presentation
The consolidated financial statements include the accounts of the Ontario Energy Corporation and its subsidiaries except Trillium Exploration Corporation. Trillium is accounted for using the equity method because consolidating the accounts would not be more informative. Other investments are also accounted for using the equity method.

Investments of the Corporation engaged in oil and gas exploration activities use the full cost method of accounting.

Deferred project expenditures
Charges for services received in connection with continuing projects being investigated are initially reflected as deferred project expenditures. When an investment is made, the accumulated deferred project expenditures are treated in accordance with the applicable agreements. When management decides not to pursue a project, the deferred project expenditures are charged to expense.

Furniture, equipment and leasehold improvements
Furniture, equipment and leasehold improvements are stated at cost less accumulated depreciation and amortization. Depreciation is determined using the straight-line method over a period of 60 months; leasehold improvements are amortized over the terms of the leases.

Income taxes
The Corporation and its wholly-owned direct subsidiaries and their wholly-owned direct subsidiaries are not subject to income tax so long as not less than 90% of the outstanding shares of the Corporation are held directly by the Province of Ontario. All of the Corporation's outstanding shares are presently held by the Province of Ontario.

Onexco Oil & Gas Ltd., which is a wholly-owned indirect subsidiary of the Corporation and holds a two-thirds interest in Trillium Exploration Corporation and a one-third interest in the Hudson Bay Exploration Joint Venture, is subject to income taxes.

2. Investments

Suncor Inc.

The Corporation owns 25% of the shares of Suncor Inc. which is accounted for using the equity method. The difference between the cost of the shares and the underlying net book value of Suncor Inc., which relates primarily to oil and gas reserves, is being amortized using the unit-of-production method.

Summarized financial information of Suncor Inc. is as follows:

	1982	1981
	(in millions)	
Financial Position		
Working capital	$ 173	$ 196
Total assets	$1,936	$1,763
Shareholders' equity		
Preferred	$ 12	$ 19
Common	1,067	1,050
	$1,079	$1,069
Operations		
Revenue	$1,551	$1,321
Net income	$ 60	$ 50
Dividends on common shares	$ 42	$ 78

2. Investments (continued)

Trillium Exploration Corporation

The Corporation has a two-thirds interest in Trillium which was formed in 1982 to explore for oil and gas in the frontier areas of Canada; Suncor Inc., which is owned 25% by the Corporation, owns the other one-third.

The following is a summary of Trillium's financial position as at December 31, 1982:

Assets	
Current assets	**$ 7,614,492**
Properties, plant and equipment	**2,802,250**
	$10,416,742
Liabilities	
Accounts payable and accrued liabilities	**$1,013,245**
Shareholder advances	
Suncor	**3,346,846**
Ontario Energy Corporation	**6,056,591**
	10,416,682
Shareholders' equity	**60**
	$10,416,742

Trillium had no income or loss from operations for the period ended December 31, 1982 and because of its mandate to explore in the frontier no income or loss is expected for a number of years.

Trillium is eligible for maximum Petroleum Incentives Program grants of 80% of expenditures for the exploration for oil and gas in the frontier areas of Canada.

Polar Gas

The Corporation is one of five continuing participants in the Polar Gas Project, four of whom are presently providing funds, and accordingly bears 25% of the ongoing research costs and 33⅓% of costs related to the application for regulatory approval. The purpose of the project is to determine the feasibility of constructing and operating facilities for the transmission of natural gas from areas in the Canadian Arctic to southern markets.

The Corporation is not obliged to continue to fund the project. Should it choose not to do so its investment would be retained but its degree of interest would be diluted.

In the event a company is formed to build and operate transmission facilities, the Corporation's interest would be convertible into equity or debt of such company. Alternatively, under certain circumstances the Corporation's investment may be repaid.

2. Investments (continued)

Other

The Corporation has invested in energy related projects of various types, many of which are in the developmental stage, and has made further commitments towards these projects aggregating approximately $2,200,000. In addition, the Corporation is required to spend a further $4,000,000 by September 30, 1983 to maintain certain project exploration rights.

The Corporation has guaranteed, to the extent of $758,500, the performance of an investee company.

3. Government Assistance

During 1982, the Corporation received government assistance from the following sources:

Government of Ontario assistance applied to reduce the interest expense on the notes due to Sun Company, Inc.	$ 45,052,700
Government of Ontario funding of the costs of a project	$ 1,329,876
Ontario Mineral Exploration Program grant applied to reduce the cost of other investments	161,325
Government of Canada Petroleum Incentives Program grant applied to reduce the cost of other investments	1,081,481
	$ 2,572,682

4. Long-Term Debt

	1982	1981
Loan from Treasurer of Ontario	$ 562,500	$ 637,500
Notes due to Sun Company, Inc.	308,750,000	325,000,000
Due to Treasurer of Ontario	325,000,000	325,000,000
	634,312,500	650,637,500
Less portion due within one year	16,325,000	16,325,000
	$617,987,500	$634,312,500

The loan from the Treasurer of Ontario bears interest at 13.75% and is repayable in semi-annual instalments of $37,500.

4. Long-Term Debt (continued)

The notes due to the Sun Company, Inc. are payable in 20 semi-annual instalments, which commenced on June 15, 1982, of $8,125,000 for each of the first ten instalments and $24,375,000 for each of the remaining ten instalments. Interest is payable semi-annually at the rate of 14.357%. The Treasurer of Ontario has stated that it is the intention of the Government of Ontario to ensure the Corporation has sufficient funds to pay the notes.

The amount due to the Treasurer of Ontario is a non-interest-bearing demand loan. It is not the intention of the Treasurer of Ontario to demand payment of the loan in the forthcoming year.

Interest on long-term debt of $46,052,471 was incurred during the year of which $45,052,700 was recovered by way of assistance from the Government of Ontario (see Note 3).

5. Share Capital

	1982	1981
Share capital		
Authorized		
2,000,000 common shares with no par value		
20,000,000 non-voting special shares with no par value		
Issued and fully paid		
2,000,000 common shares	**$100,000,000**	$100,000,000
Less		
1,533,327 (1981–1,700,000) common shares held in treasury, at cost	**(76,666,350)**	(85,000,000)
	$ 23,333,650	$ 15,000,000

During 1982, 166,673 shares held in treasury were resold for cash of $8,333,650.

6. Remuneration of Directors and Senior Officers

The aggregate remuneration paid or payable for the year by the Corporation and its subsidiaries to its directors and senior officers amounted to $310,478. The salary of an officer of the Corporation was paid by the Province of Ontario.

ECONOMIC BENEFITS

Although the OEC's mandate is energy, OEC investments create jobs and stimulate manufacturing. As the maps show, OEC investments are active in many locations throughout the province, and elsewhere.

Two examples of employment resulting from the OEC's investments demonstrate how economic benefits can be achieved along with energy benefits.

Northern Ontario

Energreen, a greenhouse located at Ramore, is 50 per cent owned by the OEC. The greenhouse uses waste heat from a nearby natural gas pipeline compressor station to grow tree seedlings for reforestation projects. The company employs three full-time and some 50 part-time workers, and has brought welcome job opportunities to the area.

In 1983, production will increase to seven million seedlings, and it is hoped that the company's success will inspire similar enterprises in other parts of the province.

Also in Northern Ontario and in Hudson Bay, the Hudson Bay oil and gas exploration project and the James Bay Lowlands lignite project have created employment for 16 full-time workers and 44 part-timers.

The Suncor Hydrocracker: $335 Million For Industry

After the OEC purchased 25 per cent of Suncor in 1981, that company announced its intention of investing $335 million over a two-year period on a major upgrading of its refinery at Sarnia. The work involves construction of a hydrocracker complex which will cut the refinery's oil consumption by about 1 430 843 cubic metres (nine million barrels) a year, while maintaining the present output of transportation fuels. About 700 construction jobs are being created at the site. Equally important is the fact that about 90 per cent of the hydrocracker equipment and service contracts have been placed with Canadian suppliers, with a large proportion going to Ontario manufacturers and suppliers, thus creating work throughout the province.

Other OEC investments create work directly in exploration, construction, engineering, research and development; and indirectly provide employment in a large number of manufacturing and support industries. It all adds up to an impressive total of man-hours, and a welcome boost for the Canadian economy.

THE GROWTH OF THE CORPORATION

During its eight years of operation the Corporation's assets have grown from $100 million to almost $700 million through a series of investments which have responded to the changing energy situation in Canada.

The Corporation's first investments were made in 1975, in the Syncrude Oil Sands and Polar Gas Projects.

The Syncrude investment was made in order to help ensure the construction of the Syncrude plant, whose future was then in doubt. The Ontario Government considered development of the Syncrude plant to be of major strategic importance to the people of Canada. The OEC held a five per cent interest in Syncrude, and invested over $100 million in the project between 1975 and 1978. By 1978 Syncrude was operating successfully, and the Corporation sold its share for $160 million, making a substantial profit. After re-paying the Government of Ontario's investment, with interest, the $35 million profit was retained to provide funds for future activities.

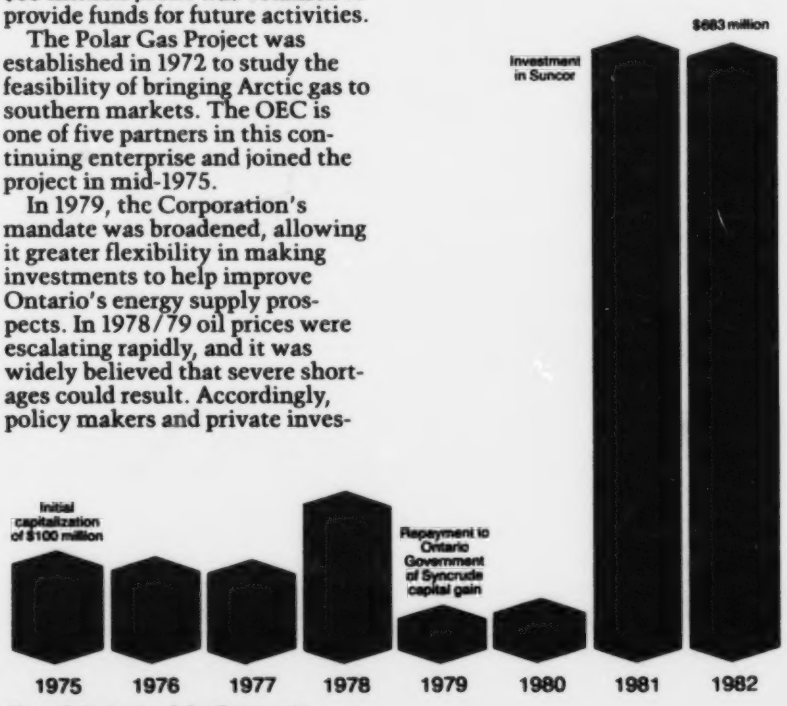
The Polar Gas Project was established in 1972 to study the feasibility of bringing Arctic gas to southern markets. The OEC is one of five partners in this continuing enterprise and joined the project in mid-1975.

In 1979, the Corporation's mandate was broadened, allowing it greater flexibility in making investments to help improve Ontario's energy supply prospects. In 1978/79 oil prices were escalating rapidly, and it was widely believed that severe shortages could result. Accordingly, policy makers and private investors gave a high priority to the search for new oil reserves, to alternative fuels and energy technologies, and to conservation.

During this period, the OEC turned its attention to a wide range of investment opportunities. They include exploration for oil and gas, lignite, the development of alternative fuels, the use of municipal garbage as a fuel, applications for surplus heat from industrial processes, methods of conserving energy, and systems and devices which allow energy to be used more efficiently. At the same time, the Corporation subscribed to the goal of increasing the percentage of Canadian ownership and control of Canada's oil industry.

Today the public's perception of the oil price and supply situation has changed from that which was current in 1979. Oil prices are not rising and supply is plentiful. This condition, however, is unlikely to last long. The long-term oil price and supply outlook has not changed. Canada will continue to be vulnerable if it relies on external sources of oil supply.

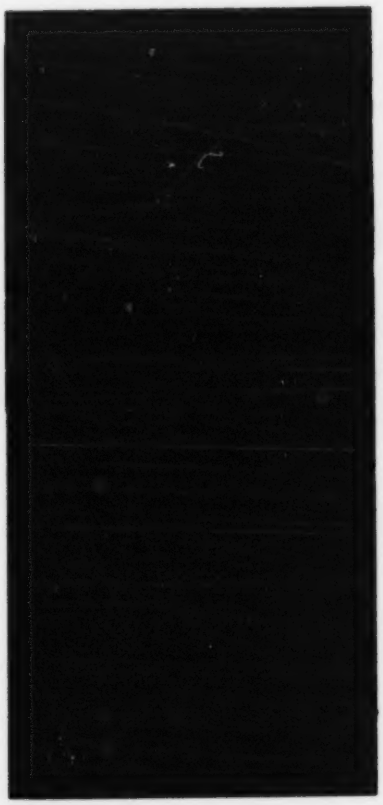
Between 1979 and 1982 the Corporation made 14 new investments, among them the purchase of 25 per cent of Suncor and the establishment, with Suncor, of Trillium Exploration Corporation.



Growth in assets of the Corporation.

In 1982, the private sector's enthusiasm for investment in energy technology and the search for alternative fuels abated somewhat. This is understandable, as it is difficult to maintain concern for energy matters when oil is apparently in good supply and its price softening on world markets.

The long-term crude oil supply outlook, however, has not changed; and, during the year, the Corporation continued to make energy technology investments which will strengthen Ontario's energy future. Two new investment agreements, with Bio-hol and Selachii, were signed during 1982. In all, the Corporation had nine energy technology investments at the end of 1982, which included investments in the areas of natural gas, transportation, energy from waste, biomass, energy biotechnology, nuclear steam and computer technology.



POLAR GAS PROJECT

An investment in energy development, to ensure future supplies of natural gas in Ontario.

The Polar Gas project is one of the OEC's original investments, dating back to 1975. Other partners in this venture are TransCanada PipeLines, Panarctic Oils, Tenneco Energy Ltd. and Petro-Canada. Polar Gas is a research project established to determine the best way of delivering natural gas from the Arctic Islands and the Mackenzie Delta/Beaufort Sea areas to southern markets, during the 1990's.

Changing circumstances prompted the partners to initiate a review of the entire project during 1982. Timing, routing and scale were re-examined, and at year's end a new approach was being developed.

BRUCE ENERGY CENTRE DEVELOPMENT CORPORATION (BECDEVCO)

An investment holding company finding new uses for waste and surplus heat.

The Corporation is one of seven partners in this company, whose objective is to use surplus steam at Ontario Hydro's Bruce Nuclear Power Development for industrial, agricultural and aquacultural applications.

BECDEVCO has established the foundations of the Bruce Energy Centre. It has purchased 563 hectares (1,392 acres) of land, negotiated necessary re-zoning, identified potential users, negotiated a contract for substantial steam supplies, arranged for the installation of the first stage of the steam pipe from the power station to the Centre, demonstrated high-yield food production in a greenhouse near the Centre, and completed all necessary engineering and environmental studies relating to land use, services, transportation by road and by rail, and harbour access from Lake Huron.

In June 1982 the Minister of Energy asked Ontario Hydro to purchase the interests of BECDEVCO so that a single focus for future development at the Bruce Energy Centre could result. Negotiations have been underway for some time and, under the terms of the proposed sale agreement, Ontario Hydro would pay approximately $2.2 million for BECDEVCO assets, enabling the private sector investors to recoup their original investment and Ontario Hydro to receive the assets free of liabilities. The Corporation in turn would provide Ontario Hydro with approximately $4 million worth of value as a contribution to the continued development of the Bruce Energy Centre.

TELERIDE AND SAGE

High technology venture capital investments serving public transit and conserving transportation fuels.

Teleride's computerized transit control and information system uses radio and computer technology to monitor the location of buses and other vehicles in a transit system, and then makes the information available to the public.

Transit riders can access the system by telephone, and are advised when to expect the next bus on the route they wish to travel. Wherever a Telerider system has been installed, it has created measurable increases in transit use, especially on routes with long service intervals.

The system is well-proven, and is receiving good market acceptance in Canada and the USA. Installations have already been made in Toronto, Mississauga, Ottawa, Kitchener-Waterloo, Guelph, Brantford, Columbus, Ohio and San Diego, California, with testing for the system under way in several other U.S. cities.

The SAGE investment is complementary to Teleride. SAGE Management Consultants provides consulting, software and computer time-sharing for transit scheduling, maintenance and administration. The result, in both cases, is energy conservation.

SELACHII

A venture capital investment which will make possible large-scale savings in transportation fuels.

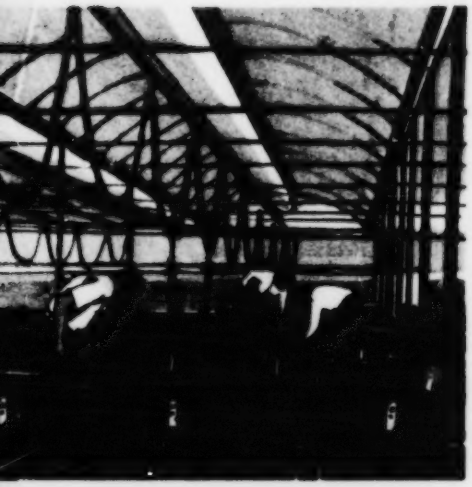
The Selachii controlled pressure induction fuel delivery system is an alternative to conventional carburetion in internal combustion engines. It has the potential to reduce fuel consumption by four to eight per cent, and it can be used with various alternative fuels, including gas/alcohol mixtures.

This fuel delivery system, a Canadian invention, has been under development for five years, and is protected by patents worldwide. The OEC investment, through Ontario Energy in Transportation Ltd., makes possible final product development, manufacturing and marketing of the system.

ONTARIO VAN POOL ORGANIZATION (OVPO)

OVPO is demonstrating that vanpooling is a commercial proposition. The goal is to promote energy conservation in Ontario through vanpooling among commuters. At present, the 35 van OVPO fleet operates from 21 centres throughout Ontario, including Orangeville, Barrie, Kitchener, St. Catharines, Oshawa and Blind River.

This demonstration program, which is showing favourable results, is expected to be concluded during the next two years.



ENERGREEN

A venture capital investment to demonstrate commercial application for waste industrial heat in horticulture.

Energreen operates a 0.57 hectare (1.4 acres) greenhouse near Ramore in Northern Ontario. The greenhouse is heated using hot exhaust gases from a nearby TransCanada PipeLines natural gas pipeline compressor station. In 1982, four million tree seedlings were grown there for the Ministry of Natural Resources' reforestation program. Seven million seedlings are expected to be grown in 1983.

There is enough heat available at Ramore to add another 1.05 hectares (2.6 acres) of greenhouses.

This investment could serve as a model for similar enterprises in Northern Ontario.

BIO-HOL

A bio-technology investment aimed at establishing a new source of fuel.

Bio-hol is a joint venture between the OEC and Weston Energy Resources Ltd. Its objective is to demonstrate the commercial viability of a process that produces fuel-grade ethanol from wood residues, using microbiological fermentation techniques. Ethanol is used in gasoline/alcohol mixtures, and could substantially reduce Ontario's need for crude oil.

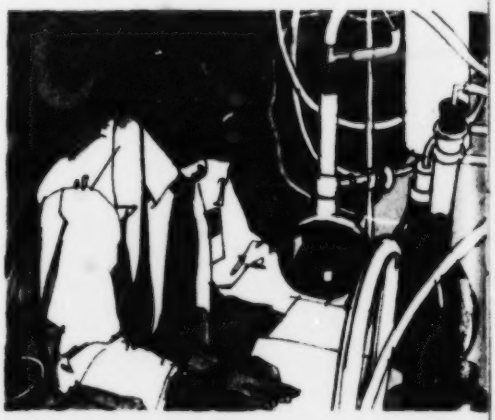
HAMILTON ELECTRIC TURBINE GENERATOR

An investment holding in a successful energy-producing facility.

The OEC, in partnership with Tricil Limited, has invested in an electric turbine generator to produce electricity from municipal waste at the Solid Waste Recovery Unit (SWARU) in Hamilton, Ontario.

The four-megawatt turbine generator, officially opened on November 26, 1982, is driven by steam produced by heat from the municipal incinerator. Its output is 14 million kwh of electricity annually, the equivalent of about 3 636 364 litres (800,000 gallons) of fuel oil a year. Two-thirds of the power generated is sold to Ontario Hydro; the rest is used by the SWARU facility.

This is the first commercial electric generation facility in Canada to be fuelled by municipal garbage.



OMNIFUEL

A biomass venture capital investment in development of a new fuel source.

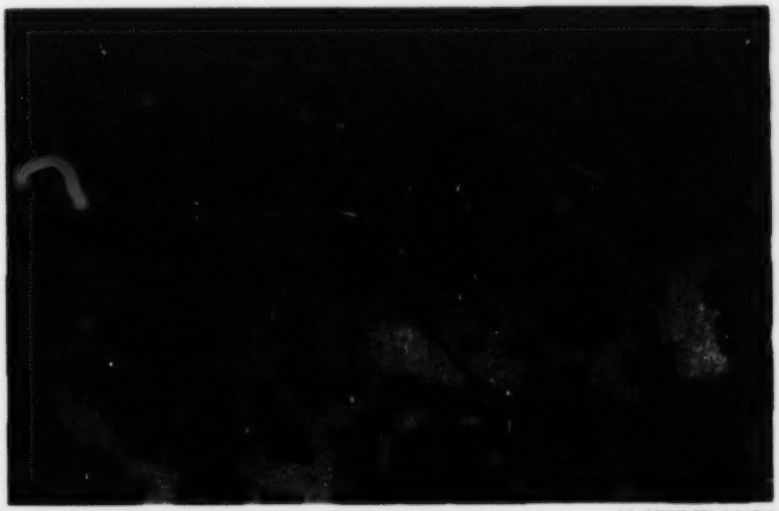
Omnifuel develops and markets gasification systems. The Omnifuel technique is an efficient method of producing low-BTU gas from biomass such as wood chips and sawdust, or municipal waste. The gas can be used for process heat, to drive electric generators, or as feedstock for chemical production.

In 1982, Omnifuel was actively pursuing an agreement with the U.S. firm Banyan Corporation of Dallas, Texas to market Omnifuel fluidized-bed gasification systems in the United States. These negotiations were successfully concluded in early 1983 with the signing of a joint venture agreement between Omnifuel and Banyan. Other marketing arrangements are being actively pursued in Canada and in other countries.

During 1982, the Ontario Energy Corporation formed two new subsidiaries to assist in the management of its exploration investments. *Onexco Oil & Gas Ltd.* is a tax liable company held 90 per cent by the OEC and ten per cent by Ontario Energy Resources Ltd. Oil and gas exploration and development programs, are the responsibility of this subsidiary. *Onexco Minerals Ltd.* is the Corporation's vehicle for minerals exploration and development.

The OEC, with Suncor, also established *Trillium Exploration Corporation* to undertake oil and gas exploration in Canadian frontier areas. Initial exploration will be on lands in which Suncor has an interest. Other frontier exploration programs will also be initiated over the next five years.

In addition to the investments decribed below, the OEC in 1982 completed a review of Ontario's oil shale resources which was sufficiently encouraging to result in a contract from the Ministry of Energy to study possible processing techniques. The OEC is also continuing to monitor developments in the Ontario peat industry.



ARCTIC ISLANDS

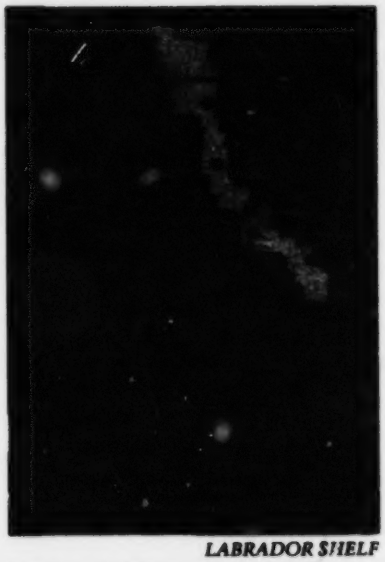
TRILLIUM

An investment in exploration for oil and gas in Canada's frontier lands.

The formation of Trillium Exploration Corporation was announced on September 16, 1982. The OEC holds two-thirds of the new company, and Suncor Inc. holds one-third.

The formation of Trillium fulfills a commitment made in December of 1981, when the OEC purchased a 25 per cent share in Suncor. Trillium explores for oil and gas in Canada's frontier areas. The initial program is a farm-in on Suncor's interest in the Labrador Shelf Exploration Program. During the next five years, Trillium could participate in as many as ten exploratory wells in this promising area, with an option for an extended drilling program.

During 1982, the Labrador Group drilled three wells. Two of the wells, Rut H-11 and Corte-Real P-85 had been spudded during 1981, and were re-entered in 1982 and drilled to a total depth of 4 093 metres (13,425 feet) and 3 946 metres (12,943 feet) respectively. A third well Pothurst P-19, was spudded and drilled to a depth of 3 843 metres (12,605 feet). All three wells were suspended at the end of the season. In addition to its drilling program, the Group conducted a 2 500 km (1,550 miles) seismic study in the area, and continued with an environmental program.



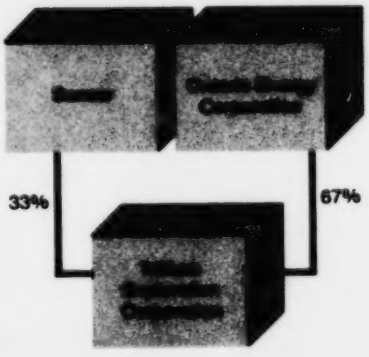
LABRADOR SHELF

● *Wells in which Trillium has earned an interest.*
□ *Oil and gas discoveries.*
Lands in which Trillium is entitled to earn an interest.

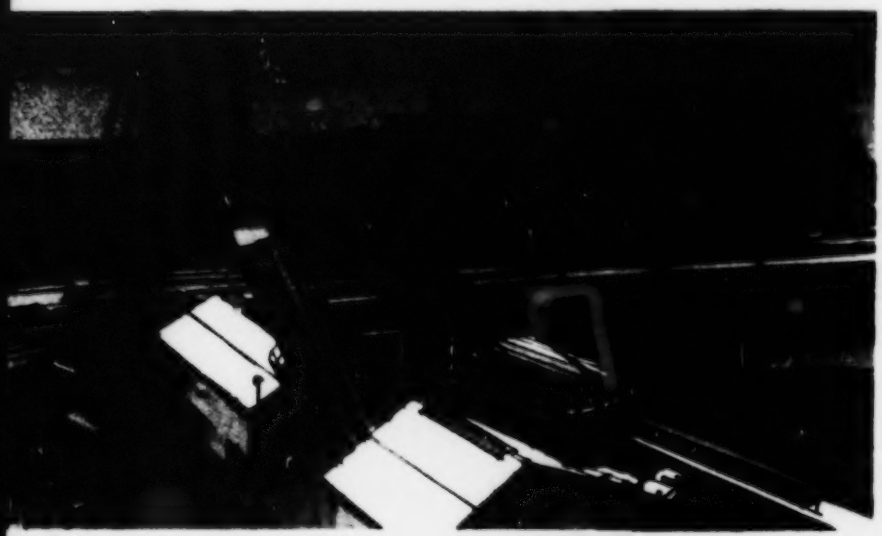
Trillium will also participate in exploration programs under way in most of Canada's frontier areas, and has already announced a farm-in agreement with Suncor involving offshore Arctic Islands. Trillium is also seeking investment opportunities with companies other than Suncor.

Trillium meets all federal government requirements for Canadian ownership and control, and has an all-Canadian Board of Directors. Over the next five years, Trillium expects to invest about $220 million in frontier exploration.

These costs will be eligible for maximum frontier exploration grants under the federal Petroleum Incentives Program.



Ownership of Trillium Exploration Corporation



SUNCOR

An investment in one of Canada's largest integrated oil companies.

In December 1981, the OEC bought a 25 per cent interest in Suncor, through its subsidiary Ontario Energy Resources Ltd. Suncor is among Canada's largest integrated oil companies, and had previously been virtually 100 per cent owned by Sun Company, Inc. of Pennsylvania. In January 1982, three OEC Directors were appointed to the Suncor Board.

Following their appointment, Suncor announced major expansion and improvement plans.

- A $335 million, two-year, upgrading of the Suncor Sarnia refinery through the addition of a hydrocracker complex. The addition of the hydrocracker significantly increases the proportion of transportation fuels and petrochemical feedstocks which can be extracted from crude oil. Crude oil consumption at the refinery will decrease by about 1 430 843 cubic metres (nine million barrels) a year, while the output of transportation fuels will remain the same. This is a substantial contribution to oil security in Ontario. At the same time, the project provides community benefits such as construction and operating jobs at the refinery, as well as manufacturing and service contracts. As a result of Suncor's "Buy Canadian" policy, nearly 90 per cent of its hydrocracker investment will be spent in Canada. The lion's share is being spent with Ontario manufacturers.
- At the Fort McMurray oil sands mine and plant, $355 million will be spent over five years to increase accessible synthetic crude oil reserves by approximately 14 308 426 cubic metres (90 million barrels), and to upgrade mine and plant facilities for increases in efficiency and operational reliability. This investment will contribute to Canadian oil security, and will also provide work for Canadians.
- At the established Fort Kent thermal project, an investment of some $88 million was committed to project expansion and to the testing of a number of new techniques for extracting heavy oil.

Both in the short term and in the long term, the OEC investment in Suncor brings economic strength and energy security to the people of Ontario.

SOUTHWESTERN ONTARIO and HUDSON BAY

Investments in exploration which can add to Ontario's oil and gas supplies.

The *Southwestern Ontario Exploration Joint Venture* includes the OEC, in partnership with Petro-Canada and Canada Cities Services. It holds exploration leases for some 22 267 hectares (55,000 acres). A seismic program has identified a number of promising targets. Exploratory wells were drilled in late 1981 and mid 1982 and showed hydrocarbon potential; the drilling program will continue in 1983.

Hudson Bay Exploration Joint Venture has a five-year exploration agreement with the federal government.

The agreement covers 29 149 794 hectares (72 million acres) of the Bay, and is believed to be the largest single exploration licence ever granted in Canada. The OEC is in partnership with Sogepet and Canadian Occidental Petroleum. Soquip is also a participant through a farm-in agreement with Sogepet.

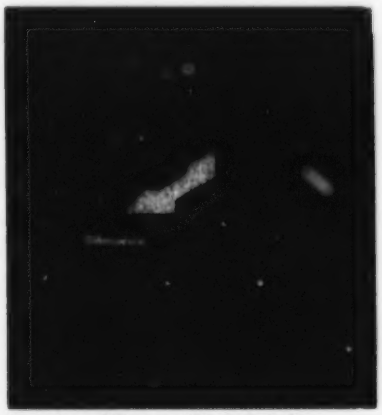
During 1982, the first year of the program, over 5 000 km (3,100 miles) of seismic data were collected. At year-end, the data were being evaluated by the group.

Licence area of Hudson Bay joint venture.

As part of the 1982 program, Canadian Occidental, the operator for the Group, undertook community consultation and wildlife observation programs. Information exchange meetings were initiated with northern native groups and government representatives of the Hudson Bay area.

A wildlife monitoring program was conducted from the seismic vessel to improve the environmental information base. Two Inuit from communities adjacent to Hudson Bay, with extensive knowledge and hunting experience, were hired as observers to collect the information. These programs are the initial steps in an extensive long-term effort to inform communities of the exploration activities and to ensure that exploration and development work is carried out in an environmentally sound manner.

Hudson Bay is the only frontier area directly accessible from Ontario. Clearly, any major discovery here will be of great value to the province.



Location of Onexco Minerals Ltd. licence areas in the James Bay Lowland.

JAMES BAY LOWLANDS LIGNITE EXPLORATION

An investment in exploration for an alternative fuel source.

This OEC program has succeeded in discovering several promising lignite occurrences in Northern Ontario. Lignite has potential as a substitute for oil, natural gas and imported coal.

Through its subsidiary, Onexco Minerals Ltd., the OEC completed the second year of a three-year lignite exploration project in the James Bay Lowlands area of Ontario in 1982. After preliminary evaluation, a significant portion of the 404 858 hectares (one million acres) covered by the original licence was relinquished, reducing the licence area amounts to approximately 112 955 hectares (279,000 acres). Further exploration will be undertaken during the winter of 1983. The Corporation's aim is to develop these resources in partnership with private sector companies.

Alternative Transportation Fuels

As part of the Ontario Government's Alternative Transportation Fuels Program, the Ontario Energy Corporation is managing two alcohol fuels contracts for the Ontario Ministry of Energy.

Under the wood-to-ethanol contract, the Corporation is demonstrating the feasibility of producing ethanol from wood by means of biotechnology. This contract is being executed in part by Bio-hol, a joint venture between Weston Energy Resources Ltd. and the OEC.

The Corporation's Methanol Assessment Program is designed to assess methanol as an alternative transportation fuel. This program involves the examination of a variety of methanol production techniques employing such indigenous feedstocks as lignite, peat and wood, as well as the testing of methanol in vehicle fleets using gasoline/methanol blends.

Ethanol and methanol have not only the potential for contributing to Canada's security of energy supply, they also could significantly help to improve the environment.

Metric conversion guide:

Crude oil, refined products, etc.
1 m^3 (cubic metre) = approx. 6.29 barrels
1 hectare = approx. 2.47 acres
1 km (kilometre) = approx. 0.62 mile
1 m (metre) = approx. 3.28 feet
1 litre = approx. 0.22 Imperial gallon

POOR

QUALITY

ORIGINAL